A Self-Evaluation Guide To Starting a Business Of Your Own

Stage 1

ASSESSING YOUR POTENTIAL FOR AN ENTREPRENEURIAL CAREER

Manitoba
Industry,
Trade
and Tourism

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I

Introduction

This is the fiirst of a series of publications that has been developed for aspiring small business entrepreneurs. Most people give some thought to owning and managing their own business at some point in their lives. It's a good idea providing you know and understand what it takes to be successful.

Starting a new business is risky at the best of times, but your chances of succeeding will be better if you spend some time carefully evaluating your personal situation and circumstances and try to anticipate and work out as many potential problems as you can in advance; before you put your money on the line.

This publication will introduce you to the concept of entrepreneurship and give you some idea of what is required to be successful as an entrepreneur. It will provide you with an opportunity to self-assess your personal attitudes and attributes and see how they compare with "practicing" entrepreneurs. It also enables you to evaluate your managerial and administrative skills and determine your financial capacity. All are key ingredients in determining your readiness for an entrepreneurial career.

Manitoba Industry, Trade and Tourism thanks Dr. Walter Good, of G. & B. Research Associates, for the preparation of this booklet. Complete packages of this self-evaluation guide consisting of three booklets are available for a nominal charge from:

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What is Entrepreneurship?

Entrepreneurship is a very difficult term to define precisely. Entrepreneur's tend not to be identified by formal rank or title but, in retrospect, after the successful implementation of an innovation or an idea. The following example may help to illustrate this definition problem for you.

The year was 1916, and the thirty-year old amateur practical naturalist was working in Labrador with his wife and their five week old child. It was not his first stint in the north. Some four years earlier, he had given up his job with the U.S. Biological Survey to work beside scientist-explorer Sir Richard Grenfell, with a sideline of trapping for furs.

With a wife and child to take care of in that inhospitable area of the country, and though they could get all the meat and fish they needed, there was a real shortage of fruit and vegetables, especially during the winter.

Clarence took a load of fresh cabbage, separated the leaves, laying them down flat in a couple of inches of brine at the bottom of a barrel. When that froze, he put down another layer, and built up a stock of cabbage leaves in ice. Whenever they needed cabbage that winter, he simply chopped off a chunk with an axe.

As a result the Birdseye family, holed up in Labrador snows, could have fruit and vegetables all year round, a luxury then denied to everybody but the very rich.

Oddly enough, the commercial significance of that primitive process did not strike Birdseye for some years. In 1922, while assistant to the president of the U.S. Fisheries Association, he started experimenting in earnest with simple equipment like buckets of brine, blocks of ice, and a fan, all costing less than $10. Within two years he was borrowing on his insurance, using the loan of a corner of an ice-making plant, in business freezing fish and rabbit meat in discarded chocolate boxes. It was the Birdseye method—the pre-packaging and freezing between metal plates—that served the needs of a growing mobile population. He came to regard every edible item—from strawberries to asparagus tips to fish fillets—as a potential brickshape: easy to pack, freeze, store, and ship.

Clarence Birdseye was never a trained scientist. He dropped out of university because of a lack of money. But after he sold his fast-freeze company to General Foods in 1929 for $22 million, as an inventor he collected more than 200 patents for varied innovations from a recoil-less harpoon to an infrared heat lamp.[1]

It is difficult to say the precise moment at which Clarence Birdseye became an entrepreneur. While he displayed innovative behavior as early as 1916, it was not until 1922 that he began to develop his process to the point that he could capitalize on it in the marketplace.

Many people have said that entrepreneurship is really a "state of mind." Even though you may be extremely innovative and creative, are prepared to work hard and even experience a great deal of luck, that may still be insufficient to guarantee business success. The missing element may be this necessary entrepreneurial mind set; a single-mindedness and dedication to the achievement of a set of personal goals and objectives; a self-confidence in your own intuitive and rational capabilities; a capacity to think and plan in both tactical and strategic terms; and an attitude which reflects a bias for action, frequently based on inadequate information.

Entrepreneurship is not the same as management. The principal job of a professional manager is to make a business perform well. He takes a *given* set of resources—such as employees, money, machines and materials—and orchestrates and organizes them into an efficient production operation. In contrast, the principal job of the entrepreneur is to bring about change, on purpose, within an organizational context.

As agents of change entrepreneurs play, or can play a number of roles in the Manitoba economy. They can, for example:

- —create new products and/or service businesses
- —encourage better and/or lower cost production operations

[1] Excerpted from R. Hambleton, "Clarence Birdseye of Frozen-Food Fame," *Marketing*, March 2, 1981, p. 7.

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- —provide employment opportunities and create new jobs
- —help contribute to regional and national economic growth
- —encourage greater industrial efficiency/ productivity to enhance our international competitiveness

You should keep in mind, however, that other people also play a significant role in determining who will succeed or who will fail in our society. For example, entrepreneurs will succeed only when there are customers for the goods and services they provide. But, in many circumstances, it is the entrepreneurs themselves who play the principal role in determining their success or failure. Many still manage to succeed in spite of poor timing, inferior marketing or low-quality production by combining a variety of talents, skills and energies with imagination, good planning and common sense. The entrepreneurial or self-employment option has many attractions for Manitobans but along with these attractions come a number of risks and challenges and the opportunity for failure.

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Myths and Realities Concerning Entrepreneurship

According to noted author-lecturer-consultant Peter Drucker, entrepreneurs defy stereotyping. He states: "...Some are eccentrics, others painfully correct conformists; some are fat and some are lean; some are worriers, some relaxed; some drink quite heavily, others are total abstainers; some are men of great charm and warmth, some have no more personality than a frozen mackerel."[2]

Despite all that is known about entrepreneurs and entrepreneurship, a good deal of folklore and a variety of stereotypes remain quite durable. Part of the problem is that while some generalities may apply to certain types of entrepreneurs and to particular situations, most entrepreneurial types tend to defy generalization.

Take, for instance, the following examples of historical myths about entrepreneurs and entrepreneurship.

1. Who Are The Entrepreneurs?

Myth 1: *Entrepreneurs are born, not made.*

Reality: There is increasing evidence that entrepreneurs are born but can be made better—by a combination of work experience, study, and development of business skills. While there is an undeniable core of inborn attributes, which you either have or you don't, it is apparent that merely possessing these attributes does not necessarily make you an entrepreneur. Other attributes of equal importance can, in fact, be acquired through understanding, hard work, and patience.

Myth 2: *Anyone can start a business. It's a matter of luck and guts. All you need is a new idea; then go for it.*

Reality: If you want to launch and grow a high-potential new venture you must understand the many things that you have to do to get the odds in your favor. You cannot think and act like a bureaucrat, or even a manager; you have got to think and act like an entrepreneur.

Myth 3: *Entrepreneurs are gamblers. They gladly roll the dice and take the consequences.*

Reality: Entrepreneurs are not gamblers and high risk takers. Successful entrepreneurs take very calculated risks and they get others to share the risk with them, thereby lowering their personal exposure. When they find that they can avoid or minimize risk, they do so.

2. What Does it Take to be an Entrepreneur?

Myth 4: *You are better off as an independent, lone entrepreneur, owning the whole show yourself.*

Reality: It is extremely difficult to develop a new venture beyond $1 million in profitable sales by working single-handedly. Higher-potential ventures that succeed usually have multiple founders.

In choosing partners it is generally a wise move for the entrepreneur to avoid finding a partner with a similar type of personality.

Myth 5: *Being an entrepreneur is the only way you can really be your own boss and completely independent.*

Reality: Higher-potential entrepreneur's are far from independent, and have many masters and constituencies to serve and juggle. These can include partners, investors, customers, suppliers, creditors, employees, their spouse, family, and social and community organizations.

Myth 6: *Entrepreneurs face greater stress and more pressures, and thus pay a*

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[2]Drucker, Peter, *Innovation and Entrepreneurship: Practice and Principles*. (New York: Harper and Row, 1985).

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higher personal price in their job than do other managers.

Reality: Being an entrepreneur is undoubtedly stressful and demanding. But there is no evidence it is any more stressful than numerous other highly demanding professional roles, such as the principal partner in a legal or accounting practice or head of a large corporation or government agency. Most entrepreneurs enjoy what they do: They have more fun than drudgery, and they thrive on the flexibility and innovative aspects of their jobs.

Myth 7: *Starting your own company is a risky, hazardous proposition that often ends in failure.*

Reality: This statement is undoubtedly true in many instances. Statistics indicate that upwards of 80 percent of new businesses fail within their first five years. However, success tends to be more common than failure among higher-potential ventures because they are directed by talented and experienced people. These entrepreneurs are able to attract the right people and the financial and other resources necessary to make their venture work.

Vince Lombardi, the well-known ex-coach of the Green Bay Packers, is famous for saying, "Winning isn't everything, it's the *only* thing." But a lesser known quote of his is closer to the true entrepreneur's personal philosophy. Looking back on a season, Lombardi was once heard to remark, "We didn't lose any games last season, we just ran out of time twice."

Entrepreneuring is a competitive game and an entrepreneur has to be prepared to run out of time occasionally. Walt Disney, Henry Ford, Milton Hershey and many other well known entrepreneurs all experienced bankruptcy before achieving success.

Myth 8: *Money is what makes the difference. If you have enough of it you will succeed.*

Reality: Money appears to be by far the least important ingredient in new venture success. If the other pieces and talents are there, the money will follow.

3. When Do Entrepreneurs Start New Ventures?

Myth 9: *Start-ups are for the young and energetic.*

Reality: While youth and energy may help, age is no absolute barrier to starting a business of your own. However, many people feel there is some threshold for an individual's perceived capacity for starting a new venture. Over time you gain experience, competence and self-confidence; these factors increase your capacity and readiness to embark on an entrepreneurial career. At the same time constraints such as increases in your financial and other obligations grow and negatively affect your free choice. The tradeoffs between individual readiness and these restraints typically results in most new business being started by entrepreneurs between the age of 25 and 40.

Myth 10: *Entrepreneurs generally have low-levels of formal education.*

Reality: Contrary to popular belief, most entrepreneurs are not starting their business while their friends are still finishing high school or attending college. The facts are that the most common level of education for entrepreneurs is a bachelor's degree.

4. Why Do Entrepreneurs Start New Ventures?

Myth 11: *Entrepreneurs are motivated solely by their quest for the almighty dollar; they want to make money so that they can spend it.*

Reality: Growth minded entrepreneurs are more driven by the challenge of the enterprise and realizing long-term capital gains than by instant gratification through high salaries and perks. Having a sense of personal accomplishment and achievement,

feeling in control of their own destiny, and realizing their visions and dreams are also powerful motivators. Money is viewed principally as a tool and as a way of keeping score.

Myth 12: *Entrepreneurs seek power and control over others so that they can feel in charge.*

Reality: While many entrepreneurs are driven in this way, most successful growth-minded entrepreneurs are driven in just the opposite way. They are driven by a quest for responsibility, achievement, and results rather than by the quest for power. They thrive on a sense of accomplishment, achieved by out performing the competition rather than a personal need for power expressed by dominating and controlling others. They gain control by the results they accomplish.

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The Characteristics of Successful Entrepreneurs

The previous section should have served to dispel many of the popular myths concerning entrepreneurship. This section will expand upon the theme of entrepreneurial characteristics by proposing and discussing two important questions which are vital to you if you are interested in an entrepreneurial career. Those questions are:

a. Are there certain common attributes, attitudes, and experiences among entrepreneurs which appear to lead to success?
b. If such attributes, attitudes and experiences exist, can they be learned or are they in-born and thus available only to those with a "fortunate" heritage?

Research into these questions suggests that the answer to question 1 is yes while the answer to question 2 is both yes and no. These answers, of course, are of little value to you on their own without some further explanation.

1. Entrepreneurs are Born and Made Better

In 1980, Tom Wolfe wrote a preceptive best seller which examined the lives of America's leading test pilots and astronauts. According to Wolfe, becoming a member of this select club meant possessing "the right stuff"—i.e. the proper mix of courage, coolness under stressful conditions, a strong need for achievement, technical expertise, creativity, etc. While Wolfe was not talking about entrepreneurs, his viewpoint is similar to the basic thesis held by many members of "the people school" of entrepreneurship: a position which states that a person has to have "the right stuff" to become a successful entrepreneur.

There is considerable evidence, however, that a great deal of the ability and "right stuff" needed to become a successful entrepreneur can be learned, but probably not by everyone.

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2. Entrepreneurial Self-Assessment Quiz

While nearly every "expert" in the field of entrepreneurship agrees that there is no single profile, or specific set of characteristics that define a successful entrepreneur, there does appear to be some common attributes, abilities and attitudes which are vital for entrepreneurial success. Prior to a discussion of these entrepreneurial characteristics a quiz is provided to enable you to compare your personal attitudes and attributes with those of "practicing" entrepreneurs.

Listed below are a number of questions dealing with your personal background, behavioral characteristics and lifestyle patterns. Psychologists, venture capitalists, and others believe these to be related to entrepreneurial success. Answer each question by placing an [X] in the space that best reflects your personal views and attitudes. The most important output of this exercise is an honest, accurate self-assessment of how you relate to each of these dimensions.

	Rarely or No	Mostly or Yes
1) Are you prepared to make sacrifices in your family life and take a cut in pay to succeed in business?	____	____
2) Are you the kind of individual that once you decide to do something, you'll do it and nothing can stop you?	____	____
3) When you begin a task, do you set clear goals and objectives for yourself?	____	____
4) When faced with a stalemated situation in a group setting, are you usually the one who breaks the logjam and gets the ball rolling again?	____	____
5) Do you commonly seek the advice of people who are older and more experienced than you are?	____	____
6) Even though people tell you "It can't be done" do you still have to find out for yourself?	____	____
7) When you do a good job, are you satisfied in knowing personally that the job has been well done?	____	____
8) Do you often feel, "That's just the way things are and there's nothing I can do about it"?	____	____
9) Do you need to know that something has been done successfully before prior to trying it yourself?	____	____
10) Do you intentionally try to avoid situations where you have to converse with strangers?	____	____
11) Do you need a clear explanation of a task before proceeding with it?	____	____
12) Are you a good loser?	____	____
13) After a severe setback in a project, are you able to pick up the pieces and start over again?	____	____
14) Do you like the feeling of being in charge of other people?	____	____
15) Do you enjoy working on projects which you know will take 5-10 years to complete successfully?	____	____
16) Do you consider ethics and honesty to be important ingredients for a successful career in business?	____	____

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2) Are you the kind of individual that once you decide to do something, you'll do it and nothing can stop you?	____	____
3) When you begin a task, do you set clear goals and objectives for yourself?	____	____
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5) Do you commonly seek the advice of people who are older and more experienced than you are?	____	____
6) Even though people tell you "It can't be done" do you still have to find out for yourself?	____	____
7) When you do a good job, are you satisfied in knowing personally that the job has been well done?	____	____
8) Do you often feel, "That's just the way things are and there's nothing I can do about it"?	____	____
9) Do you need to know that something has been done successfully before prior to trying it yourself?	____	____
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13) After a severe setback in a project, are you able to pick up the pieces and start over again?	____	____
14) Do you like the feeling of being in charge of other people?	____	____
15) Do you enjoy working on projects which you know will take 5-10 years to complete successfully?	____	____
16) Do you consider ethics and honesty to be important ingredients for a successful career in business?	____	____

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	Rarely or No	Mostly or Yes
17) Have you previously been involved in starting things like service clubs, community organizations, fund-raising projects, etc.?	_____	_____
18) Did your parents or grandparents ever own their own business?	_____	_____
19) When you think of your future do you ever envision yourself running your own business?	_____	_____
20) Do you try to do a job better than is expected of you?	_____	_____
21) Do you make suggestions about how things might be improved on your job?	_____	_____
22) Are you usually able to come up with more than one way to solve a problem?	_____	_____
23) Are you between 25 and 40 years of age?	_____	_____
24) Do you worry about what others think of you?	_____	_____
25) Do you read books?	_____	_____
26) Do you take risks for the thrill of it?	_____	_____
27) Do you find it easy to get others to do something for you?	_____	_____
28) Has someone in your family shared their experience in starting a business with you?	_____	_____
29) Do you believe in organizing your tasks before getting started?	_____	_____
30) Do you get sick often?	_____	_____
31) Do you enjoy doing something just to prove you can?	_____	_____
32) Have you ever been fired from a job?	_____	_____
33) Do you find yourself constantly thinking up new ideas?	_____	_____
34) Do you prefer to let a friend decide on your social activities?	_____	_____
35) Did you like school?	_____	_____
36) Were you a very good student?	_____	_____
37) Did you run with a group in high school?	_____	_____
38) Did you participate in school activities or sports?	_____	_____
39) Do you like to take care of details?	_____	_____
40) Do you believe there should be security in a job?	_____	_____
41) Will you deliberately seek a direct confrontation to get needed results?	_____	_____
42) Were you the firstborn child?	_____	_____
43) Was your father generally present during your early life at home?	_____	_____
44) Were you expected to do odd jobs at home before 10 years of age?	_____	_____
45) Do you get bored easily?	_____	_____
46) Are you sometimes arrogant about your accomplishments?	_____	_____
47) Can you concentrate on one subject for extended periods of time?	_____	_____
48) Do you, on occasion need pep talks from others to keep you going?	_____	_____
49) Do you find unexpected energy resources as you tackle things you like?	_____	_____

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	Rarely or No	Mostly or Yes
50) Does personal satisfaction mean more to you than having money to spend on yourself?	_____	_____
51) Do you enjoy socializing regularly?	_____	_____
52) Have you ever deliberately exceeded your authority at work?	_____	_____
53) Do you try to find the benefits in a bad situation?	_____	_____
54) Do you blame others when something goes wrong?	_____	_____
55) Do you enjoy tackling a task without knowing all the potential problems?	_____	_____
56) Do you persist when others tell you it can't be done?	_____	_____
57) Do you take rejection personally?	_____	_____
58) Do you believe you generally have a lot of good luck that explains your successes?	_____	_____
59) Are you likely to work long hours to accomplish a goal?	_____	_____
60) Do you enjoy being able to make your own decisions on the job?	_____	_____
61) Do you wake up happy most of the time?	_____	_____
62) Can you accept failure without admitting defeat?	_____	_____
63) Do you have a savings account and other personal investments?	_____	_____
64) Do you believe that entrepreneurs take a huge risk?	_____	_____
65) Do you feel that successful entrepreneurs must have advanced college degrees?	_____	_____
66) Do you strive to use past mistakes as a learning process?	_____	_____
67) Are you more people oriented than goal oriented?	_____	_____
68) Do you find that answers to problems come to you out of nowhere?	_____	_____
69) Do you enjoy finding an answer to a frustrating problem?	_____	_____
70) Do you prefer to be a loner when making a final decision?	_____	_____
71) Do your conversations discuss people more than events or ideas?	_____	_____
72) Do you feel good about yourself in spite of criticism by others?	_____	_____
73) Do you sleep as little as possible?	_____	_____
74) Did you ever have your own paper route?	_____	_____

a. Which Attributes Are Desirable and Acquirable?

In a study of the 21 inductees into the Babson Academy of Distinguished Entrepreneurs, including such notables as An Wang (Wang Computers), Ken Olson (DEC), Wally Amos (Famous Amos' Chocolate Chip Cookies), Bill Norris (Control Data), and Soichiro Honda (Honda Motors), only three attributes and behaviors were mentioned by all 21 as the principal reasons for their success, and they were all learnable. These three attributes were:

i. Responding positively to all challenges and learning from mistakes.
ii. Taking personal initiative.
iii. Having great perseverance.

Other research has uncovered different lists of common learnable attributes. Time and again, the very successful entrepreneurs argue that there are some common denominators that they seek in the people with whom they want to surround themselves in building a high-potential business.

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The following is a list of the attitudes and behaviors that can be valuable in turning a business dream into reality. The proposed characteristics represent the conclusions of over 50 separate research studies into the essential nature of the entrepreneur.

i. Total Commitment, Determination, and Perseverance.

ii. Success Orientation

iii. Strong Opportunity and Goal Orientation

iv. Action Orientation and Desire to Assume Personal Responsibility

v. Persistent Problem Solving, and a Strong Need to Achieve

vi. Reality Orientation

vii. Seeking and Using Feedback

viii. Self-Reliant

ix. Self-Confident

x. Tolerant of Ambiguity and Uncertainty

xi. Moderate Risk Taking and Risk Sharing

xii. Positive Response to Failure

xiii. Low Need for Status and Power

xiv. High Integrity and Reliability

xv. Decisive, Strong Sense of Urgency and Patience: A Long-Term Perspective.

xvi. Team Builder and Hero Maker

In addition to these characteristics, other attributes that have been associated with successful entrepreneurs include:

—they are determined to finish a project once undertaken, even under frustrating conditions.

—they are dynamic individuals who are irritated with the status quo. They refuse to be restricted by habit and environment.

—they are able to open themselves up to experiences and abandon defenses. They are able to examine themselves and their ideas impartially.

—they are not self-satisfied or complacent

—they are independent of others in their judgment while willing to listen to suggestions and advice.

—they do not blame others or make excuses for their own errors or failures.

—they are governed by inner stimuli rather than by other demands and have a rising level of aspiration.

—they have a good grasp of general economic concepts.

—they are mature, self-assured individuals who are able to interact well with people of varying personalities and values.

—they are able to exercise control over their impulses and feelings.

—they have the ability to make the very best of the resources at hand.

The concensus among most experts is that all of these personal characteristics can be worked on and improved through concerted practice and refinement. Some require greater effort than others, and much depends on an individual's strength of motivation and conviction to grow. Developing these attributes should not be very different from personal growth and learning in many other areas of your life.

b. The Not-So-Learnable Characteristics

The following list of attributes are those that many experts consider to be innate, and thus not acquirable to any great degree. Fortunately the list is quite short. It is from these "not so learnable" characteristics that the conclusion that entrepreneurs are "born, not made" is principally derived. However, while possessing all these attributes would be beneficial, there are many examples of successful business pioneers who lacked some of these characteristics or who possessed them to only a modest degree.

i. High Energy, Good Health, and Emotional Stability

ii. Creative and Innovative

iii. High Intelligence and Conceptual Ability

iv. A Visionary With a Capacity to Inspire

It is apparent from this discussion that entrepreneurs work from a different set of assumptions than do most "ordinary" people. They also tend to rely more on mental attitudes and philosophies based on these entrepreneurial attributes than on specific skills or organizational concepts. The following points, per-

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haps, sum up the general philosophy of the entrepreneurial approach to business.

1. Figure out how to make it work.
2. Anything is possible if you believe you can do it.
3. If you do not know it can't be done, then you'll go ahead and do it.
4. The cup is half-full, not half-empty.
5. Do things differently.
6. Making money is even more fun than spending it.
7. Take pride in your accomplishments; it's contagious.
8. Make the pie bigger; don't waste time trying to cut smaller pieces.

3. Entrepreneurial Self-Assessment Quiz: Answers

The answers provided for the entrepreneurial self-assessment quiz represent the responses that best exemplify the spirit, attitudes and personal views of proven, successful entrepreneurs. They are *not* arranged in numerical order (1-74) but by the entrepreneurial characteristic that they are measuring (Personal Background, Behavior Patterns, and Lifestyle Factors).

Personal Background

Correct Response	Question Number
Rarely or No	30,37,43
Mostly or Yes	17, 18, 23, 28, 32, 35, 38, 42, 44, 74

Behavior Patterns

Correct Response	Question Number
Rarely or No	8, 9, 10, 11, 12, 14, 24, 39, 40, 48, 54, 57, 64, 65
Mostly or Yes	2, 4, 5, 6, 7, 13, 16, 20, 21, 22, 26, 27, 29, 31, 33, 41, 45, 46, 47, 49, 50, 52, 53, 55, 56, 58, 60, 61, 62, 66, 68, 69

Lifestyle Factors

Correct Response	Question Number
Rarely or No	25, 34, 51, 67, 71
Mostly or Yes	1, 3, 15, 19, 59, 63, 70, 72, 73

4. What Does Your Score Mean?

This Entrepreneurial Quiz is *not* intended to predict or determine your likely success or failure as an entrepreneur. However, if you have answered and scored the questionnaire honestly, it does, provide considerable insight into whether or not you have the attitudes, lifestyle, and behavioral patterns consistent with successful entrepreneurship.

Indicate the total number of questions you answered correctly on the following graph:

Number of Correct Responses

0 10 20 30 40 50 60 70

The higher your number of correct responses or the closer you are to the right hand side of this continuum, the more your responses agree with those of successful entrepreneurs. High levels of agreement indicate that you *may* have the "right stuff" to succeed in an entrepreneurial career. You should be certain, however, that your responses reflect your real opinions and attitudes. There is some tendency with this type of quiz to provide the responses that you feel are most appropriate or what you think are correct rather than indicating your true thoughts and feelings.

The word "may" is highlighted above because of the overwhelming importance of one particular set of attributes/characteristics: commitment, determination and perseverance. Scoring well on the test is not necessarily a guarantee of entrepreneurial success. Anything less than total commitment to your venture and considerable determination and perseverance will likely result in failure, regardless of the degree to which you may possess other important attributes. Your total commitment and determination to succeed helps convince others to "come along for the ride." If you are not totally committed, both financially and philosophically to the venture, it is unlikely that potential partners, your employees, bankers, suppliers and other creditors will have the faith and confidence in you to provide the level of support your business will require to succeed.

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The following is a list of the attitudes and behaviors that can be valuable in turning a business dream into reality. The proposed characteristics represent the conclusions of over 50 separate research studies into the essential nature of the entrepreneur.

i. Total Commitment, Determination, and Perseverance.

ii. Success Orientation

iii. Strong Opportunity and Goal Orientation

iv. Action Orientation and Desire to Assume Personal Responsibility

v. Persistent Problem Solving, and a Strong Need to Achieve

vi. Reality Orientation

vii. Seeking and Using Feedback

viii. Self-Reliant

ix. Self-Confident

x. Tolerant of Ambiguity and Uncertainty

xi. Moderate Risk Taking and Risk Sharing

xii. Positive Response to Failure

xiii. Low Need for Status and Power

xiv. High Integrity and Reliability

xv. Decisive, Strong Sense of Urgency and Patience: A Long-Term Perspective.

xvi. Team Builder and Hero Maker

In addition to these characteristics, other attributes that have been associated with successful entrepreneurs include:

—they are determined to finish a project once undertaken, even under frustrating conditions.

—they are dynamic individuals who are irritated with the status quo. They refuse to be restricted by habit and environment.

—they are able to open themselves up to experiences and abandon defenses. They are able to examine themselves and their ideas impartially.

—they are not self-satisfied or complacent

—they are independent of others in their judgment while willing to listen to suggestions and advice.

—they do not blame others or make excuses for their own errors or failures.

—they are governed by inner stimuli rather than by other demands and have a rising level of aspiration.

—they have a good grasp of general economic concepts.

—they are mature, self-assured individuals who are able to interact well with people of varying personalities and values.

—they are able to exercise control over their impulses and feelings.

—they have the ability to make the very best of the resources at hand.

The concensus among most experts is that all of these personal characteristics can be worked on and improved through concerted practice and refinement. Some require greater effort than others, and much depends on an individual's strength of motivation and conviction to grow. Developing these attributes should not be very different from personal growth and learning in many other areas of your life.

b. The Not-So-Learnable Characteristics

The following list of attributes are those that many experts consider to be innate, and thus not acquirable to any great degree. Fortunately the list is quite short. It is from these "not so learnable" characteristics that the conclusion that entrepreneurs are "born, not made" is principally derived. However, while possessing all these attributes would be beneficial, there are many examples of successful business pioneers who lacked some of these characteristics or who possessed them to only a modest degree.

i. High Energy, Good Health, and Emotional Stability

ii. Creative and Innovative

iii. High Intelligence and Conceptual Ability

iv. A Visionary With a Capacity to Inspire

It is apparent from this discussion that entrepreneurs work from a different set of assumptions than do most "ordinary" people. They also tend to rely more on mental attitudes and philosophies based on these entrepreneurial attributes than on specific skills or organizational concepts. The following points, per-

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haps, sum up the general philosophy of the entrepreneurial approach to business.

1. Figure out how to make it work.
2. Anything is possible if you believe you can do it.
3. If you do not know it can't be done, then you'll go ahead and do it.
4. The cup is half-full, not half-empty.
5. Do things differently.
6. Making money is even more fun than spending it.
7. Take pride in your accomplishments; it's contagious.
8. Make the pie bigger; don't waste time trying to cut smaller pieces.

3. Entrepreneurial Self-Assessment Quiz: Answers

The answers provided for the entrepreneurial self-assessment quiz represent the responses that best exemplify the spirit, attitudes and personal views of proven, successful entrepreneurs. They are *not* arranged in numerical order (1-74) but by the entrepreneurial characteristic that they are measuring (Personal Background, Behavior Patterns, and Lifestyle Factors).

Personal Background

Correct Response	Question Number
Rarely or No	30,37,43
Mostly or Yes	17, 18, 23, 28, 32, 35, 38, 42, 44, 74

Behavior Patterns

Correct Response	Question Number
Rarely or No	8, 9, 10, 11, 12, 14, 24, 39, 40, 48, 54, 57, 64, 65
Mostly or Yes	2, 4, 5, 6, 7, 13, 16, 20, 21, 22, 26, 27, 29, 31, 33, 41, 45, 46, 47, 49, 50, 52, 53, 55, 56, 58, 60, 61, 62, 66, 68, 69

Lifestyle Factors

Correct Response	Question Number
Rarely or No	25, 34, 51, 67, 71
Mostly or Yes	1, 3, 15, 19, 59, 63, 70, 72, 73

4. What Does Your Score Mean?

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5. Personal Self-Assessment: A Summary

The purpose of this discussion is to have you evaluate your personal attitudes, behavior tendencies and views to determine whether you fit the typical entrepreneurial profile. The following questions should help you summarize your feelings regarding your potential for self-employment.

Answer These Questions:

1. What personal weaknesses did you discover from analyzing your responses to the questionnaire?

2. Do you feel you can be an entrepreneur in spite of these weaknesses?

3. What can you do to improve your areas of weakness?

4. What did the questionnaire indicate are your strengths?

5. Do your strengths compensate for your weaknesses?

6. Does your life-style appear to be compatible with the demands of an entrepreneurial career?

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Evaluating Your Business Skills

There is a lot more to succeeding as an entrepreneur than just having the proper background, attitudes and lifestyle. This next section discusses other factors you should consider in assessing your potential for becoming a successful entrepreneur: do you have the requisite managerial and administrative skills needed to manage and operate a business?

1. What Skills are Needed by Small Business Owners?

Businesses, whether they are large or small, have to perform a number of diverse functions to operate successfully. An entrepreneur, because of the limited amount of resources (human and financial) at his disposal, faces a particularly difficult time.

The business skills required by an entrepreneur (or some other member of the organization) can be broken down into a number of functional areas including:

a) Money Management
- —borrowing money and arranging financing
- —keeping financial records
- —cash flow management
- —handling credit
- —buying insurance
- —reporting and paying taxes
- —budgeting

b) Managing People
- —hiring employees
- —supervising employees
- —training employees
- —evaluating employees
- —motivating people
- —scheduling workers

c) Directing Business Operations
- —purchasing supplies and raw materials
- —purchasing machinery and equipment
- —managing inventory
- —filling orders
- —managing facilities

d) Directing Sales and Marketing Operations
- —identifying different customer needs
- —developing new product and service ideas
- —deciding appropriate prices
- —developing promotional strategies
- —contacting customers and making sales
- —developing promotional material and a media program

e) Setting up a Business
- —choosing a location
- —obtaining licences and permits
- —choosing form of organization and type of ownership
- —arranging initial financing
- —determining initial inventory requirements

2. Where Can You Acquire The Necessary Skills?

It should be apparent from this lengthy list of skills that few people can expect to have a strong grasp of all of them prior to considering an entrepreneurial career. The key question then becomes where and how you can acquire the skills necessary to start and operate a business of your own?

The available means for developing these business skills are as follows.

i) Job Experience

Every job you have had should have contributed to the development of some business skills. For example, working as an accountant teaches you:
- —How to prepare financial statements
- —How to make financial projections and manage money
- —How to determine the business's cash requirements, among other things.

Working as a sales clerk teaches you:
- —How to sell
- —How to deal with the public
- —How to operate a cash register

Perhaps the best experience, however, is working for another entrepreneur. In that case you will learn to understand the overall process and skills required to operate your own business.

ii) Club Activities

Many of the functions that service clubs and similar organizations perform in planning and developing programs are similar to those performed by small businesses. Some examples of what can be learned from volunteer activities include:
- —How to organize and conduct fund-raising activities

—How to promote the organization through public service announcements and free advertising
—How to manage and coordinate the activities of other members of the organization

iii) Education

Universities, community colleges and high schools as well as government agencies such as the Business Resource Centre and the Federal Business Development Bank provide many programs and individual courses in which essential business-related skills can be acquired. Some examples of applicable skills which can be learned from these programs include:

—Business skills (from particular business classes)
—Socialization and communication skills (from all school activities)
—Bookkeeping and record-keeping skills (from accounting classes)

iv) Listening to Friends

Most of us have friends who through their job experience and education can teach us valuable business skills. Some examples of useful information we may acquire from this source include:

—Possible sources of financing
—Assistance in selecting an appropriate distribution channel for our products
—Information on the availability of appropriate sites or locations for your business
—Sources for finding suitable employees

v) Family Relationships

Growing up with an entrepreneur in the family is, perhaps, the best learning experience of all, even though you may not be aware of the value of this experience at the time. Some examples of what you might learn from other members of your family include:

—How to deal with challenges and problems
—How to make personal sacrifices and why
—How to keep personal life and business life separate
—How to be responsible with money

vi) At Home

Our everyday home experiences help us develop many business skills. Some examples of such skills include:

—Budgeting income
—Planning finances
—Organizing activities and events
—Buying wisely
—Managing and dealing with people
—Selling an idea

It can be hard for a single individual to wear all these "hats" at once. Partnerships or the use of outside technical or general business assistance can be an excellent supplement for any deficiencies in characteristics and skills a small business owner may have. Thus, it often becomes essential to identify an individual, or individuals, who can help you when needed. This outside assistance might come from one of the following sources:

—A spouse or family member
—A formal partnership arrangement
—Hired staff and employees
—External professional consultants
—A formal course or training program
—Regular idea exchange meetings or networking with other entrepreneurs

3. Inventory of Your Managerial and Administrative Skills

Now that you understand the range of skills necessary to enable your new business to succeed, the following questionnaire can be used to develop an inventory of your skills and capabilities in each of several management areas. Your present level of expertise may be anything from 1 (minimal) to 5 (a great deal). The goal of the inventory is to assess your present skill position with the purpose of identifying areas which may need improvement. Since each of these management skills is not required at an equivalent level by all new business situations, completing this skills inventory might also provide you with some insight into the type of business opportunity for which you are best suited.

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1. Managing Money

Where Learned	When	Level of Expertise (1-5)

2. Managing People

Where Learned	When	Level of Expertise (1-5)

3. Directing Business Operations

Where Learned	When	Level of Expertise (1-5)

4. Directing Sales and Marketing Operations

Where Learned	When	Level of Expertise (1-5)

5. Setting up a Business

Where Learned	When	Level of Expertise (1-5)

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Assessing Your Personal Financial Situation

In addition to your managerial capabilities your financial capacity will also be a very important consideration in your decision as to whether an entrepreneurial career is right for you. It will certainly be a critical factor to those you may approach to loan you money or provide investment capital for your venture.

1. Your Personal Balance Sheet

Your personal balance sheet provides any potential lender or lending agency with a view of your overall financial situation so they may assess the risk they will be assuming in lending you money. Generally, if you are in a strong financial position as indicated by a considerable net worth, you will be considered a desirable prospect for a loan. An entrepreneur with a weak financial position and a large number of outstanding debts may not meet the standards of most lenders.

From a personal standpoint you might also want to reconsider becoming a small business owner if you cannot afford a temporary or, perhaps, even a prolonged reduction in your personal income.

The personal balance sheet includes a summary of all your assets—what you own that has some cash value—and your liabilities or debts. Preparing a personal balance sheet is a relatively simple process involving a number of steps:

Step 1 Estimate the current market value of all your assets—the items that you own that have cash value—and list them on the following balance sheet.

Step 2 Total the value of all these assets

Step 3 List all your debts—also known as liabilities.

Step 4 Total the amount of your liabilities

Step 5 Deduct your total liabilities from your total assets. This is your net worth.

Figure 1 provides a sample balance sheet form that you can use to help organize your assets and liabilities. This is not meant to be an exhaustive list but is provided as a guide to help you think about your present financial position.

Figure 1

PERSONAL FINANCIAL STATEMENT

NAME: _____

BALANCE SHEET

As of _____, 19_____
DATE

ASSETS Everything you own with cash value.

Cash—Money you have on hand	$_____
Savings, Chequing or Other Accounts in a Bank, Credit Union or Trust Company	_____
Home, Cottage & Other Real Estate	_____
Stocks, Corporate Bonds and Other Securities	_____
Accounts/Notes Receivable	_____
Canada Savings Bonds	_____
Life Insurance Cash Value	_____
Guaranteed Income Certificates	_____
Autos/Boats/Other Vehicles	_____
R.R.S.P.'s (After Tax Value)	_____
Other Assets, Furnishings, appliances, jewelry, furs, cameras, tools, pets, trusts, coin and stamp collections, etc.	_____
TOTAL ASSETS	$_____

LIABILITIES What you owe; your debts

Credit Card Accounts Payable	$_____
Contracts Payable	_____
Notes Payable	_____
Taxes Due	_____
Outstanding Personal Loans	_____
Real Estate Loans & Mortgages	_____
Other Liabilities, court-demanded payments, etc.	_____
TOTAL LIABILITIES	$_____
TOTAL ASSETS	$_____
LESS TOTAL LIABILITIES	_____
NET WORTH	$_____

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Since every business opportunity has its own unique capital (money) requirements there is no specific dollar value of personal net worth that is sufficient or necessary to start a business. However, you should keep in mind that most private lenders or lending institutions typically expect a new small business owner to provide at least 40-50 percent of the capital required to get the business started. In addition, lenders consider the net worth position of a prospective borrower in order to determine their ability to repay the loan should the new business fail.

2. Developing a Personal Budget

As well as determining your present net worth you must also consider your personal living expenses when assessing your ability to provide the total financing needed to start a new business. In fact, you should evaluate your personal financial needs while in the process of determining whether or not an entrepreneurial career is right for you.

In some situations you will need to take money from the business each month to pay part or all of your personal living expenses. If such is the case, it is crucial that this amount be known and at least that much be paid out to you each month as a salary.

In other cases, where your new business is starting off on a limited scale, you might continue to hold a regular job in order to cover your basic living expenses and provide some additional capital to your fledgling operation. In other instances your spouse's income may be sufficient to cover the family's basic living expenses and it may not be necessary to consider your personal financial needs in making a go/no go decision.

The personal living expenses worksheet (Figure 2) is an effective means of estimating your present cost of living. From the totals on the worksheet, you can calculate the minimum amount of money you and your family will require on a regular monthly basis and determine from what sources this regular income will be obtained.

Figure 2

PERSONAL LIVING EXPENSE WORKSHEET

This budget should be based on an estimate of your financial requirements for an *average* month and not include the purchase of any new items except emergency replacements.

DETAILED BUDGET

1. Regular Monthly Payments

Rent or House Payments (including taxes)	_____
Car Payments (including insurance)	_____
Appliances/TV Payments	_____
Home Improvements Loan Payments	_____
Personal Loan Payments	_____
Health Plan Payments	_____
Life Insurance Premiums	_____
Other Insurance Premiums	_____
Other Miscellaneous Payments	_____
TOTAL	_____

2. Food Expense

Food at Home	_____
Food Away from Home	_____
TOTAL	_____

3. Personal Expenses

Clothing, Cleaning, Laundry, Shoe Repair	_____
Drugs	_____
Doctors & Dentists	_____
Education	_____
Union or Professional Dues	_____
Gifts and Charitable Contributions	_____
Travel	_____
Newspapers, Magazines, Books	_____
Auto Upkeep, Gas and Parking	_____
Spending Money Allowances	_____
TOTAL	_____

4. Household Operating Expenees

Telephone	_____
Gas & Electricity	_____
Water	_____
Other Household Expenses, Repairs, Maintenance	_____
TOTAL	_____

TOTAL

1. Regular Monthly Payments	_____
2. Food Expense	_____
3. Personal Expenses	_____
4. Household Operating Expense	_____
TOTAL MONTHLY EXPENSES	_____

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3. Evaluating Your Ability to Secure Funding

An important aspect of your financial condition is your ability to obtain financing. You may be able to borrow the additional money you require from a number of sources such as commercial banks, insurance companies, independent investors, mortgage companies, trust companies or credit unions. When seeking a loan it is generally a wise idea to shop around for the best available terms. In addition, a lawyer or an accountant should scrutinize the contract to ensure it is best suited to your needs.

There are a number of reasons that a financial institution may turn down your loan application. It is important that you ask for the precise reason(s) should your application be denied. This knowledge may help you in future attempts to secure funding.

Some of the most frequent causes for a loan application being rejected are as follows:

- —The business idea might be considered ill-advised or just too risky.
- —You may not have sufficient collateral. Lenders want some assurance that they will be able to recover most or all of their money should you default on the payments on your loan. If you are just starting a business, the lender may require you to pledge personal assets such as your home, cottage, car, and other security.
- —The lender may feel there is insufficient financial commitment to the new business on your part.
- —The lender may reject your loan application if you have not prepared a comprehensive and detailed business plan.
- —The lender may feel that your reason for requesting the loan is unclear or not acceptable. It is important that you specify the intended application of the requested funds and this application be outlined in detail. This outline should also show your planned schedule for the repayment of the loan.
- —The lender's assessment of your character, personality, and stability are important considerations in their evaluation of your loan application. It is important for you to appear confident, enthusiastic, well-informed, and realistic in your objectives.

The accompanying worksheet in Figure 3 will allow you to self-assess some of these critical factors that may affect your ability to secure external funding. It will also give you some indication of what aspects of your personal character, development of your business plans, or quality of the basic idea underlying your new venture could be improved. Indicate your assessment of your personal situation on each of the indicated factors as honestly as you can. How do you rate? Are there some factors which could be improved in order to increase your probability of obtaining a loan? What can you do to strengthen these areas of indicated weakness or how might you overcome this negative factor in preparing your loan application?

Figure 3

LOAN APPLICATION ASSESSMENT WORKSHEET

Assessment Factor	Poor 1	2	Good 3	4	Excellent 5
1. Personal credit rating					
2. Capacity to pay back loan from business assets if business fails					
3. Collateral to pay back loan from personal assets if business fails					
4. Character (as perceived in the community)					
5. Commitment (your personal investment of time, energy, and money)					
6. Clarity and completeness of your business plan					
7. Viability of business concept (e.g., moderate risk)					
8. Past personal experience in the proposed business					
9. Past successful experience in your own business					
10. Balanced management team available					
11. Suitability of your personality to the pressures and responsibilities of the business					

What could you do to improve the weak areas where you have rated yourself 1 or 2?

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Are You Ready For An Entrepreneurial Career?

1. External Role Demands

It is not enough to simply possess a large number and high level of the characteristics previously discussed as prerequisites for a successful entrepreneurial career. There are also certain external conditions, pressures, and demands that are inherent in the small business ownership role itself.

While successful entrepreneurs may share several common characteristics with successful people in other careers, the entrepreneur's preference for and tolerance of the combination of requirements unique to their role is a major distinguishing feature.

Many of these external role requirements have been alluded to earlier. What follows however, is a discussion of a few of the most relevant issues you should consider concerning your degree of readiness and preparedness for an entrepreneurial career.

a. The Need for Total Commitment

As an entrepreneur you must live with the challenge of trying first to survive in the business world, then to stay alive, and always to grow and withstand the competitive pressures of the marketplace. Almost any venture worth considering requires top priority on your time, emotions, and loyalty. As an entrepreneur you must be prepared to give "all you've got" to the building of your business, particularly during the initial stages of its development. Anything less than total commitment to your venture will likely result in failure.

b. The Management of Stress

Stress, the emotional and physiological reaction to external events or circumstances, is an inevitable result of pursuing an entrepreneurial career option. Depending on how it is handled, stress can be both good and bad for an entrepreneur. The better you understand how you react to stressful situations, the better you will be able to maximize the positive aspects of these situations and minimize the negative reactions, such as exhaustion and frustration, before they lead to a serious problem.

Stress, in the short term, can produce excellent results because of its relationship to the type of behavior associated with entrepreneurial activities, especially during the start-up stage of a new business. There is some evidence that once an individual becomes accustomed to producing under stressful conditions, they seem to continue to respond in a positive manner; entrepreneurs tend to create new challenges to replace the ones they have met, and to continue to respond to those challenges with a high level of effectiveness.

c. Economic and Personal Values

Entrepreneurs engaged in "for profit" as opposed to social organizations must share the basic values of the free entreprise system: private ownership, profits, capital gains, and growth. These dominant economic values need not exclude social or other values. However, the nature of the competitive market economy requires a belief or at least respect for these values.

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2. A Final Analysis

The following questionnaire is designed to help you re-cap your thinking concerning what you need to become a successful entrepreneur. The questions involve considerations at various stages of a business's development and some may not be applicable to the stage you have currently reached in your business planning. Answer all applicable questions.

WHAT ABOUT YOU	YES	NO
Are you the kind of person who can get a business started and run it successfully?	____	____
Think about why you want to own your own business. Do you want it badly enough to work long hours without knowing how much money you'll end up with?	____	____
Does your family go along with your plan to start a business of your own?	____	____
Have you worked in a business similar to the one you want to start?	____	____
Have you worked for someone else as a supervisor or manager?	____	____
Have you had any business training in school?	____	____
WHAT ABOUT THE MONEY?		
Have you saved any money?	____	____
Do you know how much money you will need to get your business started?	____	____
Have you figured out whether you could make more money working for someone else?	____	____
Have you determined how much of your own money you can put into the business?	____	____
Do you know how much credit you can get from your suppliers—the people from whom you will buy?	____	____
Do you know where you can borrow the rest of the money needed to start your business?	____	____
Have you figured out your expected net income per year from the business? (Include your salary and a return on the money you have invested in the business.)	____	____
Can you live on less than this so that you can use some of it to help your business grow?	____	____
Have you talked to a banker about your plans?	____	____
YOUR BUSINESS AND THE LAW		
Do you know what licenses and permits you need?	____	____
Do you know what business laws you have to obey?	____	____
Have you talked to a lawyer about your proposed business?	____	____
WHAT ABOUT YOUR CUSTOMERS?		
Do most businesses in your community seem to be doing well?	____	____
Have you tried to find out how well businesses similar to the one you want to open are doing in your community and in the rest of the country?	____	____
Do you know what kind of people will want to buy what you plan to sell?	____	____
Do such people live in the area where you want to open your business?	____	____
Do you feel they need a business like yours?	____	____
If not, have you thought about opening a different kind of business or going to another neighbourhood?	____	____

If you have answered all these questions carefully, you've done some hard work and serious thinking. That's a positive step. If your answer to most of the questions was YES, you are on the right track. If you answered some ques-

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tions, NO, you have some additional work to do. These questions indicate areas you still need to know more or do something about. Do what you can for yourself, but don't hesitate to ask for help from other sources.

This assessment of your entrepreneurial potential is based on a series of self evaluations. An absolute requirement for this assessment to reveal anything meaningful about yourself is for you to be completely honest with yourself. There is a tendency in this type of assessment to give the answers that you "feel" are correct rather than your "real" answers. This, however, is only the first step along the road to starting a business of your own. It is a road covered with hazards and pitfalls and many who start down it fall by the wayside for one reason or another. However, those who persevere and reach the end by building a successful new business venture may realize considerable financial and psychological rewards as well as a lot of personal satisfaction. Additional publications in this series can help you evaluate other important parts of this process and improve your chances for success. Try them. They will help you decide what else you need to consider and enable you to go after it.

Good Luck!